

Attachment B - Policy Analyses

This document includes the assumptions and calculations TRPA staff used to evaluate various policy actions from conversations with local jurisdiction partners and local developers, the South Shore Housing Action Plan and Mountain Housing Council policy papers, and Working Group members. These include actions in six overarching categories: 1. Density, 2. Coverage, 3. Permitting Parity/Streamlining, 4. Fees, 5. Individual Parcel Evaluation Tool (IPES) and 6. Public Lands Donation (this is considered both a development type and policy tool).

The calculations included in this document are an estimate of typical building costs in Lake Tahoe and not representative of every development scenario. Additionally, these calculations may not include every cost associated with development in the Tahoe Basin. TRPA will continue to refine these estimates and welcomes additional input. The actions are loosely organized by the size of the potential cost reduction, with those tools that show the larger cost reduction ahead of those with a lower reduction. TRPA recognizes that there may be additional cost reductions associated with each tool that TRPA was not able to capture at this time. As actions move into the implementation phase, the Working Group may identify additional needed analysis.

1. Policy: Density

a. **Allow Higher Density/Lower Parking Requirements**

Assumptions:

- Scenarios based on a 25 unit/acre (status quo) and 40 unit/acre affordable housing project (action scenario)
- Cost per unit under status quo scenario: \$582,941
- Gross square footage is the same for both scenarios
- Smaller unit size and reduced parking requirements allow for additional units

Results: Typical parking requirements for multi-family developments are 1.5 parking spaces per unit. For a 60-unit building on a 2.4-acre parcel, the cost to build parking is about \$270,000. By increasing density, decreasing unit size and decreasing parking requirements to one space per unit, a cost reduction of \$46,898 per unit can be achieved. **This will result in approximately an 8% cost reduction.** This includes reductions in overall parking costs and associated financing costs.

Sources: Based on an example 60-unit project in South Lake Tahoe, data provided by a local multi-family affordable housing developer. Other sources: Placeworks Development Costs and Affordability Report (2018).

2. Policy: Permitting/Streamlining

a. **Permit Streamlining**

The cost models associated with financing are complex. Initial analysis shows a cost reduction of **approximately 1%**, assuming a reduction in permitting time of between six to twelve months. Further, uncertainties in permitting time can influence a decision of whether to build in the region or not.

Source: Placeworks Development Costs & Affordability Report (2018)

b. Assume Reduced Cost of Environmental Analysis

Assumptions:

- Scenarios based on a residential 60-unit multi-family development
- Cost per unit under status quo scenario: \$582,941
- Projects over approximately 40 units generally need to complete a more extensive environmental analysis
- The estimated average cost to complete environmental analysis is \$40,000
- This does not assume a full Environmental Impact Statement (EIS)

Draft Results: While the level of reduction will vary, for a simplified analysis we assumed zero environmental analysis cost. In this scenario, soft costs will generally be reduced by about \$40,000 for a multi-family development. **It is estimated that this will decrease the per unit cost of a 60-unit multi-family residential project by approximately \$683 or .1% of the total project cost.** This includes reductions in soft costs and financing.

Source: Placeworks Development Costs and Affordability Report (2018); TRPA staff

3. Policy: Coverage

a. Allow Soft Coverage to Replace Hard Coverage for the Residential Component of a Mixed Use Project

Assumptions:

- Scenarios based on the residential component of a mixed use project required to transfer in hard coverage (status quo) versus allowed to transfer in potential coverage (action scenario)
- Cost per unit under status quo scenario: \$582,941
- Potential Coverage in the South Tahoe Hydrologic Areas is \$7.50 per square foot
- Hard Coverage in the South Tahoe Hydrologic Areas is \$25 per square foot
- Estimated coverage needed per unit is 710 square feet per unit (based upon planned Sugar Pine Village Project)

Draft Results: Under existing requirements for hard coverage, the cost per unit will be approximately \$17,750. By allowing potential coverage to be used for the project, the total per unit cost can be decreased by about \$12,732. **This will result in an approximately 2% reduction in cost.** This includes reductions in cost of coverage and associated financing costs.

Source: California Tahoe Conservancy, "Market Value of Development Rights Banked in the California Tahoe Conservancy's Land Bank (2019)," and City of South Lake Tahoe, "Lake

Tahoe Basin Intangible Development Rights Report (2020),” Placeworks Development Costs and Affordability Report (2018).

4. Policy: Fees

a. **Waive Air/Water Quality Mitigation Fees for Affordable, Moderate and Achievable Housing Projects**

Assumptions:

- Scenarios based on a residential 60-unit deed restricted affordable multi-family development
- Cost per unit under status quo: \$557,324
- Development is receiving bonus units to replace the costs of development rights
- Water Quality Mitigation Fees for a 60-unit residential development are \$120,900
- Air Quality Mitigation Fees for a 60-unit residential development are \$106,354

Draft Results: Waiving both Air and Water Quality Mitigation Fees will result in a **cost reduction of approximately 1.6% or \$9,511 per unit.**

b. **All Agencies Waive Fees for Affordable, Moderate and Achievable Housing Projects**

Assumptions:

- Scenarios based on a residential 60-unit deed restricted multi-family development
- Cost per unit under status quo scenario: \$557,324
- Development is receiving bonus units to replace the costs of development rights
- TRPA, local jurisdiction, utility departments, and any other applicable agency waive all fees for projects building affordable, moderate, or achievable units.
- Fees include building permit, school fee, water development impact fee, sewer development impact fee, air and water quality mitigation fees, and TRPA application fee

Draft Results: Waiving all typical fees charged to multi-family developments will result in a cost reduction of **\$34,140 per unit or 6.1% of total project cost.** This includes reductions in development fees and associated financing costs.

Source: Placeworks Development Costs & Affordability Report (2018); Local Developers

c. **Inactive Projects Exemption from Air Quality Mitigation Fees**

Assumptions:

- Scenarios based on redevelopment of a site into a residential 60-unit multi-family development
- Cost per unit under status quo scenario: \$500,784
- All other development fees are being paid
- Assumes no additional coverage and transfer in 50% of required development rights
- Assumes no cost of land

Draft Results: Currently spaces that have been empty for more than five years must pay the air quality mitigation fee again when a new use opens in that space. Lengthening the time that a project is considered inactive would result in fewer projects required to pay air quality mitigation fees. The savings in cost per unit for a multi-family project that does not have to pay air quality fees is \$1,716, **an approximately 0.5% reduction**. There may be other costs associated with redevelopment that are not accounted for in this calculation.

Source: TRPA Mitigation Fee Schedule; TRPA Trip Table; Placeworks Development Costs & Affordability Report (2018); Local Developers

5. Policy Tool Action: IPES

The Individual Parcel Evaluation System (IPES) is a method for determining the sensitivity of parcels zoned for single-family development. The IPES score on a parcel determines whether it can be developed or not (parcels cannot be developed that are below a certain score). Jurisdictions can lower the overall “IPES line” for developable parcels by completing restoration projects in their jurisdictions and retiring lots.

The size and number of overall lots has some impact on the number of buildable lots under IPES. While more buildable parcels may not directly result in workforce housing, having more parcels available, some of which may be large enough to accommodate an ADU, could indirectly lead to more workforce housing. Both Placer County and El Dorado County identified IPES as a policy tool that merits further examination.

TRPA was not able to evaluate the percent reduction in cost for building workforce housing associated with making changes related to IPES, however there are some data available that can inform a numeric estimate. For example, TRPA can look at the number of parcels large enough and with enough available coverage to accommodate an ADU, if the IPES line were lowered.

6. Land Use/Policy Action: Donated Land

a. **Public Entity Donate Land**

Assumptions:

- Scenarios based on a residential 60-unit multi-family development
- Cost per unit under status quo scenario: \$582,941
- Assumes zero cost of land to the developer

Draft Results: Eliminating the cost of land charged to multi-family developments will result in a cost reduction of **\$34,015 per unit or approximately 6% of the total project cost**. This includes the reduction in land cost as well as reduced financing fees.

Source: Placeworks Development Costs & Affordability Report (2018)

Cost Assumptions for Multi-Family Developments

Land Acquisition	MF 60-Unit	Source
Estimated land cost/sq. ft.	\$15	Placeworks
Indirect land acquisition costs	3%	Placeworks
Parcel size	2.4 acres	Placeworks
Hard Construction		
Construction costs/sq. ft.	\$300	Local Developer
Gross square footage	65,000	Local Developer
Parking cost per space	\$3,000	Local Developer
Parking spaces/unit	1.5	Local Developer
Open space construction costs/sq ft	\$6	Local Developer
Construction Contingency	10% of total hard CN costs	Local Developer
Soft Construction		
Assumed soft costs	\$2,000,000	Local Developer
Developer's Fee	\$2,200,000	Local Developer
Development Fees		
Building Permit	2% Hard Construction Costs	Placeworks
School Fee	\$2.24/gross sq footage	Placeworks
Water Development Impact Fee	11,983/unit	Placeworks
Sewer Development Impact Fee	\$7509 per unit+\$60	Local Developer
Air Quality Mitigation Fees	(5.44 trips/unit x 60 units) x \$325.84	TRPA
Water Quality Mitigation Fees	\$1.86/sf of new coverage	TRPA
TRPA Application Fee	\$40/unit + \$2,200 + \$88IT	TRPA
Development Rights	\$25,000/unit	City/CTC Development Right Appraisal Reports
Coverage	\$17,750/unit	City/CTC Development Right Appraisal Reports

Financing		
Construction loan fee	7.7%	Placeworks
Construction loan timeline (months)	13	Placeworks

Cost Assumptions for Market Rate Single Family Development

Land Acquisition	Single Family	Source
Estimated land cost/sq. ft.	\$15	Placeworks
Parcel Size	7,778	Placeworks
Indirect land acquisition costs	3%	Placeworks
Hard Construction		
Construction costs/sq. ft.	\$175	Local Developer
Gross square footage	2,420	Placeworks
Parking cost per space	\$4,000	Placeworks
Streets & Parking (sq. ft)	16,200	Placeworks
Power/unit	\$10,000	Local Developer
Open space area (sq. ft)	1,500	Placeworks
Open space construction costs/sq ft	\$2.50	Placeworks
Construction Contingency	5%	Placeworks
Soft Construction		
Assumed soft costs	5%	Placeworks
Developer's Fee	9%	Local Developer
Development Fees		
Building Permit	2% of hard construction cost	Placeworks
School Fee	\$2.24/gross sq footage	Placeworks
Water Development Impact Fee	11,983/unit	Local Developer

Sewer Development Impact Fee	\$8,235 for up to 3 units + \$150	Local Developer
Air Quality Mitigation Fees	\$3,258	TRPA
Water Quality Mitigation Fees	\$1.86/sf of coverage	TRPA
TRPA Application Fee	\$40/unit + \$2,200 + \$88IT	TRPA
Development Rights	\$25,000/unit	City/CTC Development Right Appraisal Reports
Coverage	\$1,250	City/CTC Development Right Appraisal Reports
Financing		
Construction loan fee	3.25%	Placeworks
Construction loan timeline (months)	12	Placeworks

Cost Assumptions for Accessory Dwelling Unit

Hard Construction	ADU	Source
Construction costs/sq. ft.	\$175	Local Developer
Gross square footage	750	Local Developer
Soft Construction		
Assumed soft costs	5%	Placeworks
Developer's Fee	9%	Local Developer
Development Fees		
Building Permit	2% of hard construction cost	Placeworks
School Fee	\$2.24/gross sq footage	Placeworks
Water Development Impact Fee	11,983/unit	Placeworks
Sewer Development Impact Fee	\$8,235 for up to 3 units + \$150	Placeworks
Air Quality Mitigation Fees	(5.44 trips/unit x 60 units) x \$325.84	Placeworks
Water Quality Mitigation Fees	\$0	Placeworks
TRPA Application Fee	\$40/unit + \$2,200 + \$88IT	Placeworks
Development Rights	\$25,000/unit	Placeworks

Financing		
Construction loan fee	3.25%	Placeworks
Construction loan timeline (months)	12	Placeworks

Sources: Placeworks Development Costs and Affordability Report (2018); Local developers of affordable and market rate housing; California Tahoe Conservancy, "Market Value of Development Rights Banked in the California Tahoe Conservancy's Land Bank (2019)", and the City of South Lake Tahoe, "Lake Tahoe Basin Intangible Development Rights Report (2020)".